

Idaho Legislative Audits
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Idaho Food Quality Assurance Institute

Audit Report

Issued: May 12, 2005
Fiscal Year: 2004



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO FOOD QUALITY ASSURANCE INSTITUTE

PURPOSE AND SCOPE. We have audited the financial statements of the Idaho Food Quality Assurance Institute for the fiscal year ended June 30, 2004, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Institute's financial statements are materially accurate and reliable, and that the Institute complied with laws and regulations affecting fiscal operations.

CONCLUSION. We conclude that the Institute's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Institute's financial statements.

FINDINGS AND RECOMMENDATIONS. This report includes one finding and recommendation, which is summarized below.

FINDING #1. Decentralized operations contribute to errors and internal control weaknesses. The Institute provides ongoing quality assurance testing for Idaho agricultural commodities. The Institute's laboratory is located in Twin Falls, its day-to-day financial transactions are processed at the University of Idaho, and the State Department of Agriculture prepares its annual financial statements.

This decentralization of operations contributes to errors and control weaknesses. For example, the Institute did not record about \$260,000 of equipment purchases in prior years, the financial statements were incorrect and did not balance, and documentation was not always adequate.

We recommend that the Institute consider centralizing the authority to complete accounting and management to specific individuals, and make needed reconciliations, document transactions, and complete other procedures to ensure financial activities are properly reported.

AGENCY RESPONSE. The Institute management reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The Institute is primarily funded by a service agreement with the Idaho Potato Commission to provide residue analyses for potato samples and certifications of results for each sample analyzed. The Institute also receives fees for performing food quality assurance services for other groups and organizations. In fiscal year 2004, the Institute received a State General Fund appropriation of \$92,000. A summary of the financial activity for fiscal year 2004 follows.

IDAHO FOOD QUALITY ASSURANCE INSTITUTE - FINANCIAL SUMMARY

Statement of Net Assets

	<u>Enterprise Fund</u>
ASSETS	
Cash and Cash Equivalents	\$72,999
Receivables	2,625
Capital Assets, Net of Accumulated Depreciation	98,237
Total Assets	<u>\$173,861</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$99
Payroll and Benefits Payable	15,576
Compensated Absences	9,800
Total Liabilities	<u>\$25,475</u>
NET ASSETS	
Invested in Capital Assets	\$98,237
Unrestricted	50,149
Total Net Assets	<u>\$148,386</u>
Total Liabilities and Net Assets	<u>\$173,861</u>

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Service Agreements	\$160,000
Analysis Fees	39,953
Other Revenues	600
Total Operating Revenues	<u>\$200,553</u>
OPERATING EXPENSES	
Personnel Costs	\$217,023
Laboratory Expenses	105,874
Bank Fees	1,918
Travel	4,070
Audit	3,000
Depreciation Expense	96,765
Total Operating Expenses	<u>\$428,650</u>
Operating Income (Loss)	(\$228,097)
NON-OPERATING REVENUES	
General Fund Appropriation	92,000
Contribution from Department of Agriculture	
Proceeds from Disposition of Equipment	22,000
Proceeds from Insurance Reimbursement	9,938
Interest Revenue	928
Total Non-Operating Revenues	<u>\$124,866</u>
Increase (Decrease) in Net Assets	(\$103,231)
Beginning Net Assets as Restated	251,617
Ending Net Assets	<u>\$148,386</u>

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Food Quality Assurance Institute and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the Institute's staff for their assistance and cooperation given to us during this audit.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Thomas Haddock, CPA, CGFM, Managing Auditor

Report OP99704

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.